

A STUDY ON RETIREMENT READINESS OF WORKING POPULATION IN MUMBAI

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ABSTRACT

Retirement readiness encompasses not just the ability to manage basic necessities and old age-related medical expenditure after retirement, but also the availability of financial resources for any unexpected emergencies as well as expenses for leisure. With lack of a formal social security programme in India and the breakdown of joint family system, it becomes imperative for working individuals to strive for financial independence after retirement. The present study aims to assess the level of retirement readiness of the working population in Mumbai and also analyse it with respect to various demographic factors. Primary data collected from 104 respondents showed respondents displayed a significantly high level of retirement readiness. More than half of the respondents were planning to work after retirement mainly to meet their financial commitments and also to keep themselves busy. Among those who hadn't started planning for their retirement, the main reasons given were expected pension income and current financial obligations. Demographic factors like age, gender, education, income and occupation were found to be statistically insignificant with respect to retirement readiness. Urgent steps need to be taken to instil the habit of early retirement planning among the working population so as to ensure financially independent and secure retired population in the future.

Key words: Retirement readiness, working population, financial planning, retirement planning, retirement savings

1. INTRODUCTION

The population of India is expected to rise to 1.5 billion by the year 2030 and to 1.6 billion by the year 2050, with an increase in the share of working age population in the age group of 15 to 64 years. Also, the ratio of older population to the working age population is increasing (Mukherjee, Bajaj, & Gulati, 2019). This demographic transition brings into focus the need for ensuring adequate financial security to the working population after their retirement from active service. With lack of a formal social security programme in India and the breakdown of joint family system, it becomes imperative for working individuals to strive for financial independence after retirement. This can be possible only through careful financial planning during their working years. The present study aims to assess the level of retirement readiness of the working population in Mumbai and also analyse it with respect to various demographic factors.

2. REVIEW OF LITERATURE

Swaminathan (2019) studied the impact of behavioural factors on the retirement planning decisions of employees in the IT sector in Pune. The study found that although a good majority of respondents understood the importance of early retirement planning, they were delaying the actual implementation of any retirement savings plan, thereby creating a retirement funding gap. Lai (2011) developed a retirement plan for individuals taking into consideration various factors influencing their retirement planning decisions. The study found that more than 70% of the respondents had started saving for their retirement and had an active retirement plan in place. The study recommended varying composition of retirement plans according to the life cycle stages with progressively lower investment in risky equity instruments.